

# Mandatory Medicaid Changes under PPACA

Update and Options for Idaho in Light of Supreme Court Ruling  
Health Care Task Force  
October 22, 2012

Matt Ellsworth  
Senior Budget & Policy Analyst  
Legislative Services Office

# Presentation Outline

- Supreme Court Ruling
  - How ruling influences policy/budgeting decisions.
- Mandatory Changes
  - What elements are out of the State's control, and what does DHW estimate they will cost?
- Decisions for States
  - What pieces are up to states to decide?
- Optional Medicaid Expansion
- Decision Making Process
  - Works in progress; next steps...

# Supreme Court Ruling

- Two Major Policy Components
  1. Individual Mandate: Can Congress require people to purchase health insurance?
    - Ruling: YES, under its authority to tax.
  2. Medicaid Expansion: Can the federal government require states to expand Medicaid under the threat of withholding federal funds for existing Medicaid programs.
    - Ruling: NO, it's unduly coercive ("gun to the head...").
- Medicaid Expansion is Optional
  - States may elect not to expand per the terms of the ACA without jeopardizing federal funding for existing Medicaid programs.

# Mandatory Changes

- HOWEVER, even in light of SC ruling on Medicaid Expansion, most of the law remains intact – and will have associated costs...
- Include Development and Operational
  - **Development:** Medicaid Readiness
    - All One-Time
  - **Operational:** Administrative and Trustee & Benefit Payments
    - Mostly Ongoing
    - New IT Requirements
    - Woodworking Effect/MAGI Enrollment Increases
      - Additional Administrative Requirements
      - Trustee & Benefit Payment Increases

# Mandatory: Development

- **Medicaid Readiness**

- Infrastructure, process redesign, automation, and “pre-implementation” activities to:
  - Expand and modify IBES, MMIS, and related systems;
  - Ensure systems connectivity and compatibility.

- **Three Phase Project**

- Modernization (65%): Automate and streamline existing processes, create online application/verification functionality.
- Expansion (26%): Reprogram IBES to align with new eligibility rules. Bolster existing system to meet notification/reporting requirements.
- Connection (9%): Existing systems with *an* exchange.

- **Total Funding (90/10 Match)**

- FY 2012: \$7.5m (\$750k state)
- FY 2013: \$16.3m (\$1.63m state)
  - \$15.2m (Original Appropriation, \$1.52m state)
  - \$1.1m (Supplemental Request, \$110k state)
- FY 2014: \$10.3m (Line Item Request, \$1.03m state)

- **Total One-Time (appropriated and requested): \$34.1 (\$3.41m state)**

# Mandatory: Operational

- Administrative
  - Additional staff for Medicaid eligibility/enrollment/maintenance.
  - Additional IT staff and contract support for 24/7 systems operability.
- Woodwork Effect (Administrative/T&B)
  - Not all eligible individuals are currently enrolled in Medicaid.
  - The individual mandate requires all individuals to obtain coverage.
  - Many of the eligible but not enrolled will join program.
- Modified Adjusted Gross Income (MAGI) (Administrative/T&B)
  - New rules for calculating income/determining Medicaid eligibility.
  - Department anticipates that new methodology will result in increase in number eligible individuals.

# Mandatory: Operational

- Funding (Based on DHW Request):

- FY 2014: Administrative

<b>Division</b>	<b>FTP</b>	<b>State</b>	<b>Federal</b>	<b>Total</b>
Indirect Support	16.00	841,600	841,600	1,683,200
Welfare	22.00	870,100	870,100	1,740,200
<b>TOTAL</b>	<b>38.00</b>	<b>1,711,700</b>	<b>1,711,700</b>	<b>3,423,400</b>

*Note: Administrative request includes \$109,800 in one-time costs. The remainder is ongoing.*

- FY 2014 Trustee & Benefit Payments

<b>Division</b>	<b>FTP</b>	<b>State</b>	<b>Federal</b>	<b>Total</b>
Medicaid	0.00	8,338,000	22,891,000	31,229,000
<b>TOTAL</b>	<b>0.00</b>	<b>8,338,000</b>	<b>22,891,000</b>	<b>31,229,000</b>

- T&B Estimate Assumptions:

- **T&B totals reflect six month estimate.**
        - Relevant portions of the ACA go into effect on January 1, 2014.
      - Estimate based on enrollment increases of 9,800 – 12,300 with per member per month (PMPM) costs of \$423.16 - \$531.11.
      - Standard Medicaid FMAP applies.

# Mandatory Changes: Total Costs

Year	OT/OG	State	Federal	Total
FY 2012	One-Time	750,000	6,750,000	7,500,000
FY 2013	One-Time	1,630,000	14,670,000	16,300,000

*Note: DHW's request includes a one-time FY 2013 supplemental for Medicaid Readiness, \$110k state, \$1.1m total.*

<b>FY 2014</b>	One-Time	1,084,900	9,324,900	10,409,800
	Ongoing	9,994,800	24,547,800	34,542,600
	<b>Total</b>	<b>11,079,700</b>	<b>33,872,700</b>	<b>44,952,400</b>

FY 2015 (Projected)	Ongoing	18,332,800	47,438,800	65,771,600
---------------------	---------	------------	------------	------------



# Decisions for States

- The ACA in light of the Court’s ruling leaves two major decisions for states:

## 1. Insurance Exchange:

- State Based, Federal, Hybrid/Partnership

## 2. Optional Medicaid Expansion:

- Will states expand eligibility to all individuals who earn up to 138% of federal poverty limits (FPL) at an enhanced FMAP rate?

Year	FMAP Rate
2014 - 2016	100 percent
2017	95 percent
2018	94 percent
2019	93 percent
2020 and after	90 percent

- Benefits/Risks of Timing
  - Enhanced Match Rate: First few years may purge “pent-up-demand.”
  - Department/State Resources: IBES, DHW focus, etc.

# Optional Medicaid Expansion

- Several Studies Estimate Eligibility/Enrollment:

Study	New Eligible		Current Eligible but Unenrolled		Total	
	Low	High	Low	High	Low	High
Leavitt (2014)*	97,066	111,525	9,806	12,299	106,872	123,824
Urban Institute (2010)**	108,000		18,000		126,000	
Kaiser (2019)*					85,883	115,730

*Note: Kaiser does not break out new eligibles and individuals currently eligible but not enrolled.*

\* Totals reflect estimated number of new enrollees.

\*\* Totals reflect estimated number of eligible individuals under optionally expanded Medicaid program.

- Cost Drivers (Illustrative):
  - Number of new enrollees
  - Age/health of new enrollees
  - Plan design(s)
  - Utilization

# Decision Making Process

- Governor's Working Groups:
  - Meeting to look at exchange and Medicaid expansion.
  - Next Medicaid expansion meeting: November 9, 2012.
- Election: Tuesday, November 6, 2012
- Governor's Recommendation:
  - Funding for the optional Medicaid expansion will (presumably) either be included in Governor's Recommendation or not.
- Legislative Consideration – This Session
- DHW – Eligibility Rules and Statute